

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01
CIAE-00 COME-00 EPG-02 DODE-00 EB-07 FPC-01 H-01
INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04
USIA-06 OES-07 SP-02 SS-15 STR-04 TRSE-00 ACDA-07
PA-01 PRS-01 AGRE-00 /102 W
-----190753Z 067304 /14

R 181930Z MAY 77

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 4360

INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 3263

E.O. 11652: GDS

TAGS: BDIS EINV ENRG EC

SUBJ: NORTHWEST DISCUSSES ITS PROBLEMS WITH GENERAL DURAN

1. BEGIN SUMMARY: MINNATRES SEMBLANTES HAS RELEASED A DGH REPORT SUPPORTING INDUSTRIALIZATION OF THE GAS FROM THE GULF OF GUAYAQUIL (RATHER THAN MERELY MARKETING IT), BUT NORTHWEST'S PROPOSAL TO MARKET GAS TO GUAYAQUIL HAS NOT YET BEEN REJECTED BY THE GOE. NORTHWEST HAS DISCUSSED WITH GENERAL DURAN THE DELAY IN A GOE RESPONSE TO THAT PROPOSAL, AND WILL MEET AGAIN WITH DURAN AND OTHER GOE OFFICIALS SEVERAL WEEKS HENCE. NORTHWEST IS ALSO ASKING THE GOE FOR A SUSPENSION OF ITS EXPLORATION PERIOD. END SUMMARY.

2. MINISTER OF NATURAL RESOURCES JAIME SEMBLANTES RELEASED MAY 12 A REPORT FROM THE DIRECTORATE GENERAL OF HYDRO-CARBONS RECOMMENDING THE CONSTRUCTION OF AN AMMONIA/UREA COMPLEX USING GAS FROM THE GULF OF GUAYAQUIL. THE REPORT ASSERTED THAT THE RESULTANT LOCAL SUPPLY OF FERTILIZER INPUTS COULD INCREASE ECUADOREAN AGRICULTURAL EXPORTS BY \$300 MILLION AND GOE REVENUES BY \$80 MILLION. ALTHOUGH THE
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MINISTER DID NOT SAY SO DIRECTLY, THE PRESS RELEASE INFERRED THAT THIS DGH REPORT PRESAGED THE GOE'S REJECTION OF NORTHWEST'S PROPOSAL TO SUPPLY GAS TO THE GUAYAQUIL MARKET.

3. LOCAL NORTHWEST ATTORNEY LUIS SALAZAR TOLD EMBOFF MAY 17 THAT THE GOE HAS NOT REJECTED NORTHWEST'S PROPOSAL, AND THAT THE REPORT WAS ONLY A PRELIMINARY ASSESSMENT

PREPARED BY THE DGH WITH SOME COLLABORATION FROM CEPE. SALAZAR ALSO REPORTED THAT HE HAD NORTHWEST V.P. GLENN NELLE HAD DISCUSSED WITH GENERAL DURAN AND MINISTER'S LATEST REMARKS, AND GENERAL PROBLEMS WITH CEPE. DURAN ASKED FOR A WRITTEN REPORT FROM NORTHWEST AND SEEMED TO SYMPATHIZE WITH THE, BUT HE STRESSED TO THEM THAT SUBSIDIES (I.E., GOE GUARANTEE OF THE PRICE) WERE NOT IN ACCORD WITH GOE POLICY.

3. SALAZAR ALSO POINTED OUT TO EMBOFF A FRONT PAGE ARTICLE IN "EL COMERCIO" OF MAY 16 DESCRIBING IN DETAIL NORTHWEST'S PROPOSAL TO SUPPLY GAS TO THE GUAYAQUIL MARKET AND THE SAVINGS THUS ACCURRING TO ECUADOR. THE ARTICLE QUOTED "PETROLEUM SOURCES." SALAZAR SAID THIS ARTICLE MAY INDICATE A CHANGE IN THE GOE'S ATTITUDE DUE TO NORTHWEST'S INTERVENTION WITH GENERAL DURAN. (COMMENT: IT MAY ALSO INDICATE THAT NORTHWEST LEAKED ITS PROPOSAL TO THE PRESS TO EFFECT SUCH A CHANGE IN ATTITUDE. THE ARTICLE IS QUITE DETAILED AND PERSUASIVELY PRESENTS NORTHWEST'S CASE. END COMMENT.)

4. NORTHWEST HAS ALSO ASKED FOR A SUSPENSION OF THE "EXPLORATION" PHASE, PENDING SOME RESOLUTION REGARDING DISPOSAL OF THE GAS. THE HYDROCARBONS LAW PROVIDES FOR CANCELLATION OF THE CONTRACT (CADUCITY) IF EXPLORATION IS SUSPENDED FOR MORE THAN SIXTY DAYS WITHOUT PRIOR APPROVAL OF THE MINISTER OF NATURAL RESOURCES.

5. NORTHWEST WILL MEET WITHIN A FEW WEEKS WITH GENERAL DURAN AND REPRESENTATIVES OF CEPE AND THE DGH TO DISCUSS
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DISPOSAL OF THE GAS.
BLOOMFIELD

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
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Current Classification: UNCLASSIFIED
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Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
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